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| WYFRA | AUDIT COMMITTEE | 15 APRIL 2011 | ITEM No |
|--------------|------------------------|----------------------|----------------|

REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: TO PROVIDE THE AUDIT COMMITTEE WITH A PROGRESS REPORT FROM THE AUDIT COMMISSION ON THE DELIVERY OF THEIR REponsibilities AS EXTERNAL AUDITOR TO THE AUTHORITY

RECOMMENDATION: THAT THE COMMITTEE NOTE THE CONTENTS OF THE REPORT.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

Exemption Category:

Contact Officer: Geoff Maren - Chief Finance Officer
01274 655711
Alison Wood – Finance Manager
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Background Papers: None

This report provides details of the activity of The Audit Commission in their work leading up to the audit of the 2010/2011 statement of accounts. It includes details of work done on International Financial Reporting Standards (IFRS) along with audit risks and systems work.

1. Information

The Audit Commission will remain as the external auditors of the Authority for the financial year 2010/2011. Over the last 12 months there have been some significant changes in both the role of the Audit Commission and the scale of the Audit, particularly with the cancellation of the Comprehensive Area Assessment. The purpose of this report is to provide details of the work that is already underway by the commission along with providing some early key messages for the Authority.

2 Recommendations

Members are asked to note the contents of the attached reports

Progress report

Audit Committee - 15 April 2011

West Yorkshire Fire and Rescue Authority

Audit 2010/11

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Summary of audit progress

Introduction

1 The purpose of this paper is to provide the Audit Committee with a report on progress in delivering our responsibilities as the FRA's external auditor.

2 This update also highlights key emerging national issues and developments that may interest members of the Committee.

Key messages

3 Our detailed audit work for 2010/11 is now well underway. In particular:

- We included the 2010/11 audit plan and its assessment of audit risks in the agenda for the February 2011 Committee. We have also included a detailed update on the progress of the programme at appendix 2.
- We have made good progress on our interim accounts opinion work to update our understanding of the FRA and its financial systems.
- We began work on the IFRS restatement exercise on 28 March.
- Our work on the 2010/11 value for money conclusion is well underway and we describe this on page 5.

4 We discussed and agreed our planning intentions and proposed fee for the 2011/12 audit with officers in March. We will issue a final fee letter to the Chief Fire Officer and Chief Executive in April.

2010/11 Opinion audit

Interim opinion audit

5 Our work to examine your fundamental financial systems is almost complete. This involved our team walking through each of the FRA's five fundamental financial systems and undertaking controls testing in three of them: general ledger, Treasury Management and creditors. We seek to rely on the work of Internal Audit for controls testing wherever possible, including creditors testing this year. As a result, we are able to take significant assurance from the Authority's financial systems that support many of the material figures in the financial statements.

6 Audit planning for the 2010/11 audit of your financial statements, including updating our risk assessment, will continue as the year progresses.

2010/11 financial statements

7 We have begun reviewing the Authority's working papers for the IFRS 2009/10 restatements but have not yet fed back our work to officers. We hope to be able to rely on this work when we audit the 2010/11 financial statements, which officers will have prepared under the IFRS Code for the first time.

8 The deadlines for preparing the financial statements are similar to those for 2009/10. However, the A & A regulations have changed so draft accounts are no longer approved by the Audit Committee in June. The change also means that the Chief Finance Officer needs to prepare the draft 2010/11 accounts by 30 June before making them available to audit.

9 We have previously agreed a set of ideal working papers for audit with your Finance staff, who are preparing a timetable for accounts closure. We are proposing to begin the audit of the financial statements in July and complete the work around the middle of August 2011.

Compliance with International Standards on Auditing

10 To comply with the International Standard on Auditing (UK&I) 240, we need to gain an understanding of how those charged with governance:

- exercise oversight of management's arrangements for identifying and reporting the risk of fraud and possible breaches of internal control.

11 A second International Standard on Auditing, (UK&I) 250 requires that auditors understand how those charged with governance:

- gain assurance that the Authority has complied with all relevant laws and regulations.

12 We have therefore included within Appendix 2 those areas that we would like to gain assurance on for the 2010/11 audit. Previously, we have met these requirements of ISAs (UK&I) 240 and 250 by an exchange of letters with the Chair of the Audit Committee and we would like to draw this approach to the attention of Committee Members. I have attached the letter we received from Cllr Austin in February 2011 and I invite members to consider her response and add to it, if necessary.

13 The new clarified International Standards on Auditing ((UK&I) 540 also expects those charged with governance to have:

- reviewed the reasonableness of significant assumptions for estimates used in the accounts.

14 We have discussed this issue with your finance staff, who are going to make the necessary arrangements for this Committee to obtain the necessary assurances.

15 The new Standards (ISA (UK&I) 550) ask auditors to review the systems for identifying related parties and communicate any issues to those charged with governance.

16 At this stage in the audit, we find that WYFRA has some systems and arrangements in place for identifying and recording transactions with related parties - for example:

- The CFO sends a letter to all elected members asking for disclosure of any related party transactions with WYFRA during the year.
- Officers also complete an analysis of the transactions between the service organisation (Kirklees Council) and the Authority. This uses the unique supplier numbering system on the financial ledger.

I will continue to review this position throughout the course of the audit. Should the position change, I will update you.

17 ISA (UK&I) 265 requires me to test and communicate any deficiencies in internal control which I find to those charged with governance and management.

Value for money conclusion

Audit guidance for the value for money conclusion

18 In the Annual Audit Letter for 2009/10, we reported to the Audit Committee in February 2011 the changed approach to local value for money work for the 2010/11 audit. The Audit Commission has issued guidance setting out the requirements of the work, which is at:

<http://www.audit-commission.gov.uk/technicaldirectory/vfm/index.htm>.

The Audit Commission has prepared a summary for your reference.

19 From 2010/11, auditors of all FRAs will give their statutory value for money (VFM) conclusion based on two criteria specified by the Audit Commission:

Table 1:

| Specified criteria for the auditor's VFM conclusion | |
|---|---|
| The organisation has proper arrangements in place for securing financial resilience. | The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. |
| What the auditor will consider | |
| The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the next two years. | The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. |
| The work to support the VFM conclusion | |
| The auditor will undertake risk-based work focusing on the robustness of the organisation's arrangements relating to financial governance, strategic financial planning and financial control. The Audit Commission's guidance for auditors and tools such as the VFM profile tools will inform our work. | The auditor will undertake risk-based work on the robustness of the organisation's arrangements for prioritising resources and improving productivity and efficiency. This will use the results of previous audit work and the work of other inspectorates or review agencies. Auditors may use some of the following: the Audit Commission's VFM profile tool for FRAs, Audit Commission national studies and new local savings review tools. We do not intend to undertake any specific risk based work to support the VFM Conclusion at WYFRA but see below. |

Source: Audit Commission

20 We have determined a limited programme of VFM audit work that we have based on our initial audit risk assessment. This specifically involves working with your officers to understand the FRA's plans for meeting its future financial demands over the next four years.

The Future of the Audit Commission

21 We will continue to update the Audit Committee with the actions that are being taken in response to the Government's proposed abolition of the Audit Commission in 2012. Latest indications are that the Commission may last until 2013/14.

22 The current position is that your external audit arrangements are unchanged for 2010/11 and 2011/12, with the scope of the audit and the fees to be charged still being centrally determined by the Audit Commission.

Current proposals are that in the future you will have the freedom to appoint your own auditors possibly from 2014/15, with responsibilities set by a statutory Code. We hope to be in a position to be able to continue to offer you our services as some sort of stand-alone auditing body. However all of these proposals are subject to the content of forthcoming legislation, the timing of which is uncertain.

Appendix 1 Audit Commission national reports and developments

Audit approach

You can expect to see changes in our audit approach this year following a review by the auditing profession to improve compliance with International Standards on Auditing. We discussed these changes with the Audit Committee at its meeting on 4 February 2011. We have already discussed the implications of this with the Chief Accountant.

We held a Fire Chief Accountants workshop on 9 February 2011 to discuss the accounting issues for 2010/11. Two of your finance staff attended this event.

Auditing the accounts 2009/10: Quality and timeliness of local public bodies' financial reporting (Released 16 December 2010)

A summary of the quality and timeliness of financial reporting by councils, police authorities, fire and rescue authorities and local government bodies.

The report covers:

- auditors' work on the 2009/10 financial statements;
- the results of auditors' 2009/10 local value for money work;
- the public interest reports and statutory recommendations issued by auditors since December 2009; and
- the key financial management and financial reporting challenges for 2010/11.

The report congratulates seven councils, one police authority, three local government bodies and one fire and rescue authority for early publication. The government wants to promote financial transparency by public bodies and we believe that early publication of audited accounts is an important contribution to openness and accountability.

The Commission reports that auditors were unable to give opinions on the accounts by 31 October 2010 at seven councils (2 per cent of the total) and 11 local government bodies (12 per cent). The report also names two councils where the auditor gave a qualified opinion.

All police authorities and fire and rescue authorities published their audited accounts by 31 October and none received a qualified audit opinion.

<http://www.audit-commission.gov.uk/localgov/audit/UoR/Pages/auditingtheaccounts200910.aspx>

National reports

23 Since our last progress report the Audit Commission has issued the following reports. <http://www.audit-commission.gov.uk/firerescue/pages/default.aspx>

2011/12 Proposed work programme and scales of fees

24 The Audit Commission has consulted on its proposed work programme and fee scales for 2011/12. The announcement made on 13 August 2010 proposing the Commission's abolition implies (although it has still to be confirmed) that 2011/12 may be the Commission's final year in its current form. If so, this will be the last time it will publish a work programme and set scales of audit fees. The Commission proposes to carry through its existing, pre-August, plans for fees that were part of a three-year programme to deliver cost reductions of about £70 million. These involve fee rebates for 2010/11 and lower fees for 2011/12.

25 The site at <http://www.audit-commission.gov.uk/SiteCollectionDocuments/downloads/wpsolocal201112.pdf> confirms significant reductions in audit fees of between 5 and 20 per cent in 2011/12, reflecting both the new approach to local VFM audit work and reduced audit costs associated with the introduction of FRS. The fees for individual authorities are also available at: <http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/fees/Pages/individualfeeslocalgovt201112.aspx>

26 The stated fee for West Yorkshire Fire and Rescue Authority for 2011/12 is £80,178. The Commission has agreed, subject to affordability, to make additional rebates in 2011/12. This means all audited bodies will see a significant net reduction in fees compared with 2010/11. The Commission will let audited bodies of the amount due to them in the summer of 2011.

IFRS: reporting on operating segments (Released 29 October 2010)

27 The latest technical briefing paper in our series on implementing International Financial Reporting Standards (IFRS) in local government is 'Reporting on operating segments: Countdown to IFRS in local government'. The paper covers principles and practical issues that authorities should consider when reporting on operating segments, and addresses the following questions:

- What are operating segments?
- Which operating segments should be reported separately?
- When can segments be aggregated?
- What are the required disclosures?
- What lessons can local authorities learn from the NHS experience?
- What issues do local authorities need to consider?

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/financialmanagement/ifrs/Pages/IFRSoperatingsegments.aspx>

Protecting the public purse - Fighting fraud against local government and local taxpayers (Released 27 October 2010)

28 In our report Protecting the public purse: fighting fraud against local government and local taxpayers, we describe what has happened in the field of fraud detection and prevention since 2009 and set out the findings from our recent fraud survey. We identify more fraud risks and urge local councils and related bodies to focus on them.

29 Last year English councils detected around £99 million worth of benefit fraud, over £15 million worth of council tax fraud, and £21 million worth of other types of fraud including false insurance claims, and abuse of the disabled parking 'blue badge' scheme. In addition, councils recovered nearly 600 homes with a replacement cost of approximately £240 million.

30 We also describe the action taken by some councils to tackle fraud and provide links to tools to help councils improve their counter-fraud defences. Our updated checklist gives organisations providing public services another opportunity to consider how effective they are at responding to the risk of fraud.

<http://www.audit-commission.gov.uk/nationalstudies/localgov/protectingpublicpurse/Pages/Default.aspx>

Appendix 2 Progress against 2010/11 audit plan

| Audit plan | Start | Output | Draft | Final issued | Audit comment |
|---|---------------|---|-------------------|-------------------|--|
| Audit planning | | | | | |
| Initial planning 2010/11 | February 2010 | Initial Fees Letter | | April 2010 | Reported to Audit Committee June 2010. |
| Identify audit risks for 2010/11 audit plan | November 2010 | Audit Plan | January 2011 | February 2011 | Reported to Audit Committee February 2011 and ongoing. |
| Accounts opinion | | | | | |
| Interim review. | January 2011 | Confirm our understanding of the FRA's main financial systems and operation of key controls | | | Work is substantially complete and systems operation confirmed. No additional audit risks identified. We will update this when the accounts are available. |
| Audit opinion 2010/11 | July 2011 | Auditor's Report included with Annual Governance Report | by 26 August 2011 | 30 September 2011 | To be reported in the Annual Governance Report to Audit Committee in September 2011. |

| Audit plan | Start | Output | Draft | Final issued | Audit comment |
|---|----------------|----------------------------------|-------------------|----------------------|---|
| Value for money conclusion | | | | | |
| Value for money conclusion 2010/11: | | | | | |
| <ul style="list-style-type: none"> Risk assessment and audit response. | January 2011 | Included in this progress report | January 2011 | 30 September 2011 | Included in this progress report |
| <ul style="list-style-type: none"> Reach value for money conclusion. | January 2011 | Value for money conclusion | by 26 August 2011 | by 30 September 2011 | To be reported in the Annual Governance Report to Audit Committee in September 2011. |
| Other work | | | | | |
| Whole of Government Accounts | | | | | |
| <ul style="list-style-type: none"> Completion of the audit of the WGA consolidation pack | July 2011 | Audit Opinion | August 2011 | by 30 September 2011 | We will report this in the Annual Governance Report to Audit Committee in September 2011. |
| Annual Letter | | | | | |
| Annual Audit Letter | September 2011 | Annual Audit Letter | 31 October 2011 | 30 November 2011 | No change in dates anticipated. |

Appendix 3 Financial Statements – Compliance with International Auditing Standards

Dear Mr Kettles

Audit of West Yorkshire Fire and Rescue Authority Financial Statements - Compliance with International Auditing Standards

Following our meeting on 4 February, I can confirm the following procedures are in place for the identification and reporting of the risk of fraud and breaches on internal control.

1) How do those charged with governance exercise oversight of management's arrangements in relation to:

- **undertaking an assessment of the risk the financial statements may be materially mis-stated due to fraud;**
- **identifying and responding to risks of fraud in the organisation;**
- **communicating to employees of views on business practice and ethical behaviour; and**
- **communicating to those charged with governance the processes for identifying and responding to fraud.**

Response: The Audit Committee approves the Internal Audit plan. At each meeting of the Audit Committee, it receives an update from Internal Audit showing all work completed with a measure of assurance as to the adequacy of the systems in place. This includes details of any special investigations caused by fraud or suspected fraud. The Authority also complies with the requirements of the National Fraud Initiative (NFI) which Internal Audit manages.

2) How the Audit Committee oversees management arrangements to identify and respond to the risk of fraud and possible breaches of internal control.

Response: Members of the Audit Committee have received training in the running an effective Audit Committee. The Audit Committee receives an annual report from the Chief Finance Officer setting out details of the assurance framework provided by the current systems of internal control.

3) Whether you have knowledge of any frauds

Response: There have been a small number of frauds involving the theft of money and equipment from the Authority, which officers have reported to the Audit Committee during the financial year. All of these have been fully investigated by Internal Audit and reported to the Police where necessary.

4) How you gain assurance that the Authority has complied with all relevant laws and regulations.

Response: We set out the controls in the Authority's constitutions and provide additional assurance in the Annual Governance Statement.

Yours sincerely,

Cllr Tracy Austin
Chair
Audit Committee
4 February 2011

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0844 798 7070

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- any director/member or officer in their individual capacity; or
- any third party.



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| WYFRA | AUDIT COMMITTEE | 15 APRIL 2011 | ITEM NO |
|--------------|------------------------|----------------------|----------------|

REPORT OF: DIRECTOR OF CORPORATE RESOURCES

PURPOSE OF REPORT: TO INFORM MEMBERS OF THE AUTHORITY'S PERFORMANCE AGAINST KEY PERFORMANCE INDICATORS WHERE THE TARGETS ARE NOT BEING ACHIEVED OR WHERE, IN COMPARISON WITH ALL METROPOLITAN FIRE AND RESCUE AUTHORITIES, WEST YORKSHIRE IS THE WORST PERFORMANCE

RECOMMENDATION: THAT MEMBERS NOTE THE REPORT

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY: NONE

ACCESS CONTACT OFFICER: ALISON DAVEY – 01274 655801
CORPORATE SERVICES MANAGER
alison.davey@westyorkshire.gov.uk

BACKGROUND PAPERS OPEN TO INSPECTION:

NONE

SUMMARY:

The Performance Management and Activity Report which is presented to the Full Authority outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. This report highlights the key performance indicators where the targets are not being achieved or where comparisons with all Metropolitan Fire and Rescue Authorities identifies West Yorkshire as the worst performance.

1. BACKGROUND

- 1.1 The Performance Management and Activity Report, which is presented to each Full Authority meeting outlines the Authority's performance against key performance indicators thereby enabling the Authority to measure, monitor and evaluate performance against targets. These are detailed in two categories as shown below:
 - Service Delivery Indicators
 - Corporate Health Indicators
- 1.2 In the report, progressive monthly statistics are utilised to identify trends in performance with corresponding information regarding any action being taken to address under performance.
- 1.3 The Performance Management and Activity Report is monitored monthly by Management Team and by the Full Authority at each meeting.
- 1.4 A traffic light system is used to provide a clear visual indicator of performance against each specific target and 'direction of travel' arrows indicate whether performance has improved, remained the same or deteriorated since the same period the previous year.

2. INFORMATION

- 2.1 The attached report highlights the key performance indicators where the targets are not being achieved or where comparisons with all Metropolitan Fire and Rescue Authorities identifies West Yorkshire as the worst performance.
- 2.2 Information regarding reasons why performance is not at the required level, together with actions being taken to address this, is provided within the report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising from this report.

4 EQUALITY AND FAIRNESS IMPLICATIONS

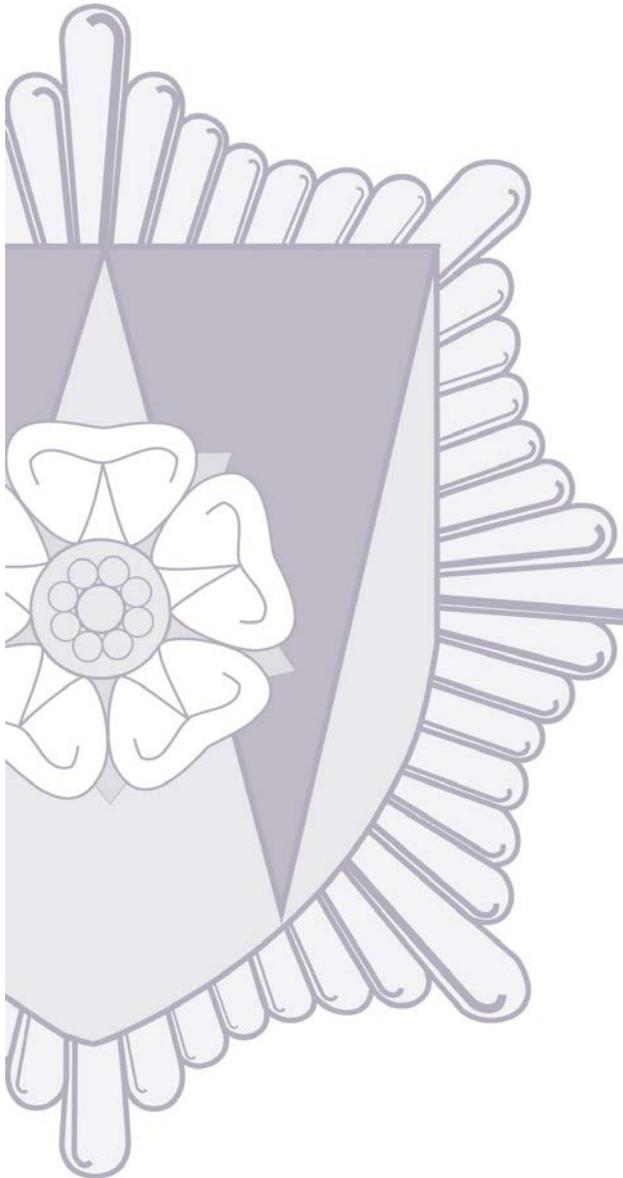
- 4.1 Measurement against key indicators on equality and fairness are included in the Performance Management Report.

5 RECOMMENDATION

- 5.1 That Members note the report.

West Yorkshire Fire & Rescue Service

Performance Management and Activity Report (Abridged) 2010/11



Period Covered: 1 April 2010 –
28 February 2011
Date Issued: 24 March 2011

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| 3. Performance Indicators – Comparison with other Fire and Rescue Services | 5 |

1. Introduction/Summary

The purpose of this report is to provide information regarding the performance of West Yorkshire Fire and Rescue Service against selected performance indicators for which the Authority is not achieving target.

The first page provides a summary of performance against all performance indicators detailed within the full Performance Management and Activity Report which is presented to each Full Authority Committee meeting.

In this report, appropriate and progressive monthly statistics have been utilised to identify trends in performance, with corresponding information regarding the action being taken to address areas of under-performance. Information regarding a selection of local performance targets has also been provided in this report and comparisons have been made with the previous year's performance.

All data, unless specified, is for the reporting period 1st April 2010 – 28th February 2011.

A traffic light system has been employed to provide a straightforward visual indicator of performance against each specific target.

Comparative data, in respect of other Fire Authorities and Local Authorities, has been collated to allow West Yorkshire Fire and Rescue Service to benchmark its performance against those of similar Authorities. This report details the indicators in which West Yorkshire Fire and Rescue Service has performed the worst in comparison with the other Fire Authorities.

2. Target Summary - Overview

Legend

| | |
|--|--|
|  | Purple indicates target not applicable |
|  | Red indicates not achieving target |
|  | Amber indicates satisfactory performance (within 10% of target) |
|  | Green indicates achieving or exceeding target |
|  | Grey indicates there is currently no data available for this indicator |
|  | Direction of travel, compared to position at this time last year |

Targets by Indicator Category

| Service Delivery Indicators (CFOA reference) | Corporate Health Indicators (CFOA reference) | Other Local Service Indicators |
|--|--|--------------------------------|
| KPI 1 – Arson Incidents | CH 1 – Equality Framework | Special Service Calls |
| KPI 2 – Primary Fires | CH 4 (CFOA C2) – Sickness | Incidents – 5 Pumps and Above |
| NI 47 – People Killed or Seriously Injured in Road Traffic Accidents | CH 5 (CFOA A5) – Health & Safety | Home Fire Safety Checks |
| NI 48 – Children Killed Seriously Injured in Road Traffic Accidents | CH 6 (CFOA E1) – Business Continuity | Compliments/Complaints |
| SD 1 (CFOA D1) – Accidental Dwelling Fires (Total) | CH 7 – Expenditure per Capita | Violence at Work |
| SD 2 – Accidental Dwelling Fires (Deaths) | CH 9 – Budget Variance (% Variance against overall budget) | |
| SD 3 – Accidental Dwelling Fires (Injuries) | CH 10 – Payment of Invoices | |
| SD 4* – Accident Dwelling Fires confined to compartment of origin | CH 11 – Capital Payments (£s) | |
| SD 5 (CFOA A2(i)) – False Alarms (Malicious Not Attended)) | CH 13 – Debtors | |
| SD 6 (CFOA A2 (ii)) – False Alarms (Malicious Attended) | CH 14 – Customer Satisfaction | |
| SD 7 (CFOA A1) – Automatic Fire Detection – Non Domestic | | |
| SD 8* – Automatic Fire Detection - Domestic | | |
| SD 9 – Fires in non-domestic premises | | |
| SD 10(a) – % Fires where Smoke Alarm Fitted | | |
| SD 10(b) - % Fires where Smoke Alarm Faulty | | |
| SD 10(c) - % Fires where Smoke Alarm Correct | | |
| SD 10(d) - % Fires where no Smoke Alarm Fitted | | |
| SD 11* – (CFOA B1) Targeted Home Fire Safety Checks | | |
| SD 12 MACC Call Handling Times | | |

*Indicator not included within the report for Full Authority

3. Performance Indicators – Comparison with other Fire and Rescue Services

The Metropolitan Fire and Rescue Services share information on a quarterly basis in respect of performance indicators. Information for the third quarter of 2010/11 (1 April 10 – 31 December 10) and positions for the individual indicators are shown below. The information is unaudited and therefore may be subject to minor amendments, but it does allow up to date performance comparisons to be made between WYFRS and similar ‘family group’ FRSs.

Data is also subject to the Fire and Rescue Authorities agreeing to share this data with WYFRS.

Of the seven indicators where West Yorkshire Fire and Rescue Service has compared itself with other Fire and Rescue Services, WYFRS performed worst on only one of them.

| Indicator | Description | Greater Manchester | London | Merseyside | South Yorkshire | Tyne & Wear | West Midlands | West Yorkshire |
|------------|--|--------------------|--------------|-------------|-----------------|-------------|---------------|----------------|
| KPI 2(ii)a | Number of Fire Fatalities per 100,000 population - Accidental Dwelling Fires | 0.27 (7) | 0.31 (24) | 0.30 (4) | 0.08 (1) | 0.09 (1) | 0.34 (9) | 0.31 (7) |
| KPI 2(ii)b | Number of Fire Fatalities per 100,000 population - Other Fires | 0.15 (4) | 0.21 (16) | 0.22 (3) | 0.08 (1) | 0.00 (0) | 0.23 (6) | 0.36 (8) |

Comment:

Accidental dwelling fire deaths for April – September have been at their lowest number ever in 2010-11. Within this period there have been 3 Accidental dwelling fire deaths and 6 deliberate fire deaths, 3 of which relate to one incident.

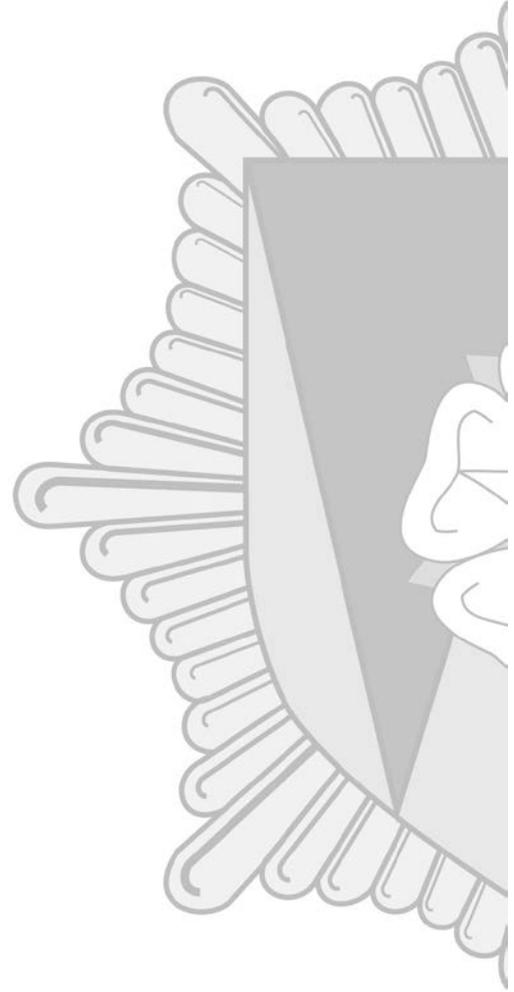
Note 1: Actual numbers shown in brackets.

Key  1st (Best)  3rd  5th  7th (Worst)

Note 2: Where two FRS's have achieved equal placing, both are shown in the same colour.

 2nd  4th  6th

PREVENTING PROTECTING RESPONDING



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www.westyorkshirefire.gov.uk

| | | | |
|--------------|------------------------|----------------------|----------------|
| WYFRA | AUDIT COMMITTEE | 15 APRIL 2011 | ITEM No |
|--------------|------------------------|----------------------|----------------|

REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: INTERNAL AUDIT ACTIVITY REPORT

RECOMMENDATION: THAT MEMBERS NOTE THE CONTENT OF THE REPORT

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

Exemption Category: None

Contact Officer: G Maren – Chief Finance Officer
01274 655711

Background Papers:

SUMMARY

To provide a summary of audit activity for the period from January to March 2011 and to report the findings to the Committee.

1 INFORMATION

This Committee has the responsibility for monitoring the work of internal audit. In order to facilitate this, Internal Audit provide a quarterly report of its progress which includes a summary of the work completed and an assessment of the level of assurance provided by the systems examined. This report covers the period from January 2011 to March 2011.

On completion of each audit the Auditors provide an assessment of the level of assurance that the control systems in place provide. There are four rankings as detailed below. :-

Substantial assurance
Adequate assurance
Limited assurance
No assurance

More details of how these classifications are measured are provided in the attached appendix.

This report includes a detailed explanation of action which has been taken on any audits which are ranked as providing either limited assurance or no assurance.

2 ROUTINE AUDITS

During the current period 3 audits have been completed, 2 of which provided substantial assurance and 1 adequate assurance. Details of the audits and the findings are included in the attached appendix. In addition, section 8 of the attached report reviews the progress of implementation of any outstanding recommendations from previous audits.

3 SPECIAL INVESTIGATIONS

During the period the data provided by the National Fraud Initiative was received. Following a review of the data audit were again able to provide substantial assurance regarding levels of probity.

4 PERFORMANCE MEASUREMENT

Section 10 of the appendix measures internal audit performance against previous years and the current year's target.

5 RECOMMENDATIONS

Members are asked to note the contents of the report.



INTERNAL AUDIT QUARTERLY REPORT

JANUARY TO MARCH

2011

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2010-11 Audit Plan included eighteen pieces of work covering a variety of cyclical audits which meet the expectations of the external auditor and address some of the major risks identified by the Authority.

For ease of reference the audits are categorised as follows:

1. Summary
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4. Other Financial Systems & Risks
5. Locations and Departments
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10. Internal Audit's Performance

Investigation summaries may be included as a separate appendix depending upon the nature of the findings.

When reports have been agreed and finalised with the Director concerned and an Action Plan drawn up to implement improvements, the findings are shown in the text. Incomplete audits are shown as Work in Progress together with the status reached: these will be reported in detail in a subsequent report once finalised.

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As agreed with the Audit Committee, this report has been expanded to include details of the key recommendations applicable to each audit and the action taken by management regarding their implementation (Section 8).

The final section of the report concerns Internal Audit's own performance. There is a need to be mindful that with the relatively small numbers of audits included in the plan, percentages can give a slightly misleading impression. There is a paucity of qualitative measures of the effectiveness of internal audit, the main one in use being client satisfaction surveys following the completion of an audit for which the return rate is relatively low.

Assurance Opinions

| | Level | Control Adequacy | Control Application |
|------------------------------|-----------------------|---|--|
| POSITIVE OPINIONS | Substantial Assurance | A robust framework of all key controls exists that are likely to ensure that objectives will be achieved. | Controls are applied continuously or with only minor lapses. |
| | Adequate Assurance | A sufficient framework of key controls exists that are likely to result in objectives being achieved but the overall control framework could be stronger. | Controls are applied but with some lapses. |
| NEGATIVE OPINIONS | Limited Assurance | Risk exists of objectives not being achieved due to the absence of a number of key controls in the system. | Significant breakdown in the application of a number of key and / or other controls. |
| | No assurance | Significant risk exists of objectives not being achieved due to the absence of key controls in the system. | Serious breakdown in the application of key controls. |

Reporting Assurance Levels

| Level | Fundamental | Significant | Merits Attention |
|-----------------------|---|--|--|
| SUBSTANTIAL ASSURANCE | There are no fundamental recommendations | There is no more than one significant recommendation | There are no more than 5 merits attention recommendations. |
| ADEQUATE ASSURANCE | There are no fundamental recommendations | There are 2 – 4 significant recommendations | There are 6 – 10 merits attention recommendations |
| LIMITED ASSURANCE | There is 1 or more fundamental recommendations | There are more than 4 significant recommendations | There are more than 10 merits attention recommendations |
| NO ASSURANCE | The number of fundamental recommendations made reflects an unacceptable control environment | N/A | N/A |

Classification of Recommendations

| Classification | Action |
|------------------|---|
| Fundamental | A recommendation - often requiring immediate action – that is key to maintaining an appropriate control environment and thereby avoiding exposure to a significant risk to the achievement of the objectives of the system, process or location under review. |
| Significant | A recommendation requiring action that is necessary to improve the control environment and thereby avoid exposure to a risk to the achievement of the objectives of the system, process or location under review |
| Merits Attention | A recommendation where action is advised to enhance control or improve operational efficiency. |

It is the practice of Internal Audit to undertake follow up audits to ensure that agreed actions have been undertaken. Any audits that produce less than "adequate assurance" will be followed up, together with a sample of the remainder and a new opinion will be expressed about the level of assurance that can be derived from action taken to address the weaknesses identified.

1. SUMMARY

This report contains information about work both completed and in progress during the final quarter of the year in relation to the 2010-11 Internal Audit Plan, plus details of management's implementation of agreed recommendations arising from previous audits completed in 2010-11.

Due to this meeting having been brought forward, three audits of the Authority's key financial systems had not been completed at the time of writing this report. A verbal update will be provided to Members at the meeting and the outcome reported formally both in the Annual Report for 2010-11 and the next Quarterly Summary.

The audits completed during this period have concluded that in the main processes are in place to control both the financial and other business risks examined. Each audit has provided at least Adequate Assurance concerning the control environment, with three receiving a Substantial Assurance opinion.

Management have agreed the recommendations made and completed an Action Plan to address the issues that have been identified in the individual pieces of work.

Any audits outstanding from the current plan will be completed early in 2011-12.

2. SPECIAL INVESTIGATIONS & REVIEWS

National Fraud Initiative 2010-11

Data sets relating to payroll, pensions and trade creditor data were uploaded securely via the Audit Commission's website in October 2010 for the latest biennial Audit Commission led national exercise of data matching which is aimed at the prevention and detection of fraud.

Reports were released at the end of January containing anomalies and discrepancies for investigation and resolution. Audit checks and enquiries have resolved satisfactorily all but a couple of these matches, thus providing **substantial assurance** about the probity and conduct of employees, pensioners, members and suppliers.

3. KEY FINANCIAL SYSTEMS

| System | Findings | Audit Opinion |
|--|------------------|---------------|
| Debtor System | Work in progress | |
| Creditor Payments System | Work in progress | |
| Payroll System – Retained Firefighters | Work in progress | |

4. OTHER FINANCIAL SYSTEMS & RISKS

| System | Findings | Audit Opinion |
|-----------|---|-----------------------|
| Insurance | <p>The objectives of the audit were threefold. First, to review the adequacy of the Authority's insurance arrangements and sample test against different types of insurance policies to monitor compliance. Secondly, evaluate the adequacy of anti-fraud controls regarding multiple and duplicate claims. Finally, to examine management action concerning insurance based risks in the corporate risk register, namely Uninsured Claims (risk factor 12) and Increased Insurance Premiums (risk factor 8).</p> <p>The Authority's insurance cover was found to be adequate, as was the annual renewal process, albeit there is scope for some financial saving by paying in full rather than by instalment thereby incurring unnecessary interest charges. The operational procedures were found to be satisfactory, with all claims being well documented and evidenced. The controls were generally robust and there was no evidence of fraudulent claims against the Authority. Three other minor recommendations were made to further improve existing procedures.</p> | Substantial Assurance |

5. LOCATION & DEPARTMENT AUDITS

None during this period.

6. **BUSINESS CONTROL AUDITS**

| Control | Findings | Audit Opinion |
|---------------------------------------|---|------------------------------|
| Director of Corporate Services | | |
| ICT Network & Infrastructure | Work in progress | |
| Director of Human Resources | | |
| Absence Management | <p>Two entries on the Corporate Risk Register relate to the non-availability of staff due to illness (a flu epidemic and stress). In addition the operational and financial impact of staff absence is well documented.</p> <p>The audit found the policies and procedures to be comprehensive in design, clearly communicated, and with well-structured control arrangements in place. The OHSU is proactive in monitoring sickness absence along with the appropriateness of management action and this made a significant contribution to the success in meeting challenging targets to reduce sickness on an annual basis, as well as satisfactorily addressing the risks associated with absenteeism as identified and monitored via the risk management arrangements.</p> | Substantial Assurance |

| | | |
|-------------------------------|---|--------------------|
| | Nevertheless, there is always scope for improvement and the number of sickness periods in the audit sample without the completion of return to work interviews, or sickness monitoring interviews/letters relating to excessive sickness absence is indicative of the need for some managers to be more proactive in enforcing control arrangements. The six monthly review work recently introduced by the Head of OHS and the planned introduction of an Absence Management Panel will make managers more accountable and should therefore help to rectifying this shortcoming | |
| Director of Operations | | |
| Operational Equipment | <p>The audit reviewed the adequacy of the arrangements and control of risks associated with the selection, issue, usage/testing and disposal of operational equipment and tested compliance. There are two risks concerning operational equipment in the Corporate Risk Register, one relating to faulty or the need for recall of personal protective equipment, or equipment causing injury or damage and one relating to outstanding risk assessments for equipment.</p> <p>The systems and procedures in use in the Operations Equipment Team (OET) were found to be operating to a satisfactory standard being well documented and consistently applied. The controls were robust and the two recommendations agreed following the audit concerning improving the software system should serve to further improve existing procedures. Supplier selection and procurement was found to be compliant with Contract Standing Orders and Procurement Policy.</p> <p>Work is ongoing to improve the usage of the software system and the OET have reinforced the procedural guidelines with all information made widely available on the intranet to ensure that users at station level are aware of their responsibilities.</p> | Adequate Assurance |

7 FOLLOW UP AUDITS.

None during this period.

8. IMPLEMENTATION OF KEY RECOMMENDATIONS

| System / Risk | Agreed Recommendations (Classification) | Original Audit Opinion | Management Action Since |
|-----------------------|--|------------------------|----------------------------|
| Special Service Calls | Reminder to compile reports (Form 701) to reduce follow up effort. (Significant) | Substantial Assurance | Station Managers informed. |
| Vehicle Accidents | Revised policy to be adopted and method for OPID dissemination to operational personnel reconsidered. (Significant) | Substantial Assurance | Completed. |
| Mobile Communications | Develop issue criteria and usage policy (Significant) | Adequate Assurance | Completed. |
| Communications Risks | Update Corporate Risk Register to reflect Firelink implementation (Significant) | Substantial Assurance | Updated. |
| Fraud Management | Undertake risk awareness raising and new employee induction (Significant) | Adequate Assurance | Action being devised. |

9. **OTHER WORK**

None during this period.

10. **INTERNAL AUDIT'S PERFORMANCE 2010-11**

| Performance Indicators | 09/10 Actual | 10/11 Target | 10/11 Actual |
|---|---------------------|---------------------|---------------------|
| Audits completed within the planned time allowance | 75% | 80% | 81% |
| Draft reports issued within 10 days of fieldwork completion | 87% | 90% | 87% |
| Client satisfaction in post audit questionnaires | 100% | 90% | 100% |
| Chargeable audit days | 140 | 160 | 166 |
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INTERNAL AUDIT QUARTERLY REPORT

JANUARY TO MARCH

2011

ABOUT THIS REPORT

This report contains information about the work of the Authority's Internal Audit provided by Kirklees Council. The 2010-11 Audit Plan included eighteen pieces of work covering a variety of cyclical audits which meet the expectations of the external auditor and address some of the major risks identified by the Authority.

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| | | | |
|--------------|------------------------|----------------------|----------------|
| WYFRA | AUDIT COMMITTEE | 15 APRIL 2011 | ITEM No |
|--------------|------------------------|----------------------|----------------|

REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: TO PRESENT DETAILS OF THE DRAFT INTERNAL
AUDIT PLAN FOR 2011/2012

RECOMMENDATION: MEMBERS ARE ASKED TO NOTE THE CONTENTS
OF THE REPORT

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

Exemption Category: None

Contact Officer: G Maren, Chief Finance Officer –
01274 655711
S Straker Internal Audit Manager
01484 221140

Background Papers:

This report provides an outline of the proposed programme of audit work for 2011/2012.

Introduction

- 1.1 Attached at appendix 1 is draft Internal Audit Plan for 2011/2012 setting out the programme of work for the coming financial year.
- 1.2 The plan is split into 4 different areas of work covering different areas of the Authority's systems of internal control as detailed below.
- 1.3 In total the Internal Audit section provide 160 days of audit time to the Authority each financial year. Following the approval of the Committee in 2009/2010 and in line with best practice, the Plan includes a review of business risks and controls. It is proposed in the current year to increase the commitment in this area to 70 days with a view to it accounting for 50% of audit time in 2012/2013. In total 150days has been allocated to specific areas of activity with the balance of 10 days available for special investigations and contingencies.

Draft Audit Plan

2.1 **Key Financial Systems** **60 days.**

This work is designed to test the key financial systems of the Authority and provides assurance to the external auditors as part of the annual audit of accounts. Each year a different element of each the key financial systems (including payroll, creditors, debtors & cash income) is tested. An additional 20 days has been committed to this type of work to reflect audits of treasury management and fixed assets that also fall due in 2011-12..

2.2 **Other Financial Systems and Locations** **10 days**

This is the traditional audit work where the Auditors will visit a section or location and review all the key systems in that particular area. This approach to audit has a number of benefits not least of which being the knowledge that all sections are subject to Audit and the element of surprise. Whilst this work may not always deliver major changes to systems it does examine the level where the majority of staff have access to the Authority's cash and other resources. Because this is a low risk area it is only proposed to commit 10 days to this type of work in 2011/12.

2.3 **Corporate Governance** **10 days**

This work is to make sure that the Authority's systems of corporate governance are being complied with. Areas covered include standing orders, financial procedures and delegated powers.

2.4 **Business Risk and Controls** **70 days**

This area of work was introduced in the 2009/2010 audit plan as a pilot. As the Committee are aware the Authority has a well embedded risk management and business continuity process designed to deal with any crisis the Authority may face. Included within this document are systems and procedures that will be implemented in the event of a major emergency. The

purpose of this work is to provide an independent check of the control measures that are in place.

Whilst very few recommendations came from these audits it did provide the assurance that the controls included within the business continuity plan are adequate. The Audit plan identifies a number of further control measures that will be examined in 2011/2012

3.0 Conclusion and Recommendations

The draft Audit plan has been agreed with the Chief Executive \ Chief Fire Officer and the Chief Finance Officer and will be considered by management board on 10th April with any proposed changes reported at the meeting.

Members are asked to approve the draft audit plan.

WEST YORKSHIRE FIRE & RESCUE AUTHORITY

INTERNAL AUDIT DRAFT PLAN 2011-12

Key Financial Systems

Payroll – Wholetime Salaries (& System Key Controls)

Income – Cash Income (incl. Licence Fees)

Fixed Asset Management

Treasury Management

VAT

Financial Management & Budgetary Control

Other Systems & Locations

Disbursement Account

Training Centre

Corporate Governance

Carbon Reduction Commitment

Business Risks & Controls (see over)*

Reduced Availability of EFAD Drivers

Power Outages/Surges

Negligent Fire Fighting

Negligent Fire Safety Work

Supply Chain Failures

Faulty or Recall of Vehicles

IRMP Process, Decision Making and Approval

IT Contingency Planning including MACC

Contingency

**see details of business risk and controls (extract Risk Matrix) in table overleaf*

Business Risks & Controls

| <u>Risk No.</u> | <u>Risk Factor</u> | <u>Hazard</u> | <u>Risks</u> | <u>Management Action</u> |
|-----------------|--------------------|--|--|--|
| 8 9 | High High | <u>Reduced availability of EFAD Drivers</u> | <u>Reduced appliance availability and gaps in fire and rescue provision. Increase in number of redeployed whole time staff and detached duty payments.</u> | <u>Detached duty policies, redeployment of resources, working group established, IRMP review, RDS review.</u> |
| 6 43 | High Medium | <u>Power Outages</u> <u>Power Surges</u> | <u>Disruption to service provision.</u> <u>Damage to authority premises and disruption to service provision.</u> | <u>Generators and UPS systems. Fault reporting.</u> <u>Annual testing of lightning conductors. Phased programme of surge protection to power supplies.</u> |
| 16 | Medium | <u>Negligent Fire Safety Work</u> | <u>Litigation. Damage to reputation.</u> | <u>Staff training/competence/ qualifications. Review of frameworks.</u> |
| 18 | Medium | <u>Negligent Fire Fighting</u> | <u>Litigation. Damage to reputation.</u> | <u>Review of levels of training/learning, assessments, district exercises, TOKO role/protocols. Operational Learning Group. Improved debrief procedures.</u> |
| 23 | Medium | <u>Supply Chain Failures</u> | <u>Failure of major supplies/contractors to fulfil their obligations.</u> | <u>Quarterly financial check on suppliers. Staged payments & performance bonds. Use of Professional Buying Organisations. Contract reviews/checks.</u> |
| 28 | Medium | <u>Faulty or Recall of Vehicles</u> | <u>Inability to provide service.</u> | <u>Robust procurement Policy. Vehicle replacement programme. Contingency planning.</u> |
| 32 | Low | <u>Failure to Gain Approval of IRMP Proposals</u> | <u>Not realising efficiencies required within IRMP causing budget shortfall.</u> | <u>Scrutiny of IRMP process via DCFO as Chair of IRMP Programme Management Board and Members via F&R Committee. Robust analysis to demonstrate importance of approval of IRMP.</u> |
| 40 56 | Low Low | <u>Failure of Electrical Distribution Boards in MACC</u> <u>Damage to IT Equipment through vandalism, theft, negligence</u> | <u>Inability to provide service, potential loss of data, financial loss.</u> | <u>MACC fallback and back up arrangements tested annually, contingency planning, service and emergency call contracts.</u> <u>Security systems in place.</u> |